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ABSTRACT

Family based services attempt to maintain and strengthen the client family and prevent family dissolution and the placement of a child or several children in substitute care. This study compared programs that serve children and their families in their home. Variances in program costs were attributed to differences in number of casework hours per family, staffing patterns, salary differentials, accounting, and collection methods. All programs reported significant results in preventing substitute care placements for the children of families served. While family based prevention services are more labor intensive, substitute care costs are more substantial. In a second study, a state social service division was prospectively analyzed to project expenditures and cost savings for family based services and substitute care. Family based services were expected to prevent placement of 60 percent of the children with a net cost savings for the social services department. (ABL)

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A COMPARATIVE ANALYSIS OF THE COSTS OF SUBSTITUTE CARE AND FAMILY BASED SERVICES

Monograph 2

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A Comparative Analysis of the Costs of Substitute Care and Family Based Services

Introduction

Family based services is a term used to describe various approaches to providing services to children and their families in their homes. The intent of family based services is to maintain and strengthen the client family and to prevent family dissolution and the placement of a child or children in substitute care. Services in the family-based context are as intensive and comprehensive as is required and feasible in a given situation.

The National Resource Center on Family Based Services has compiled information on a range of programs that serve children and their families in their homes. Most of these programs are provided by private agencies although some data is available on public agencies that have developed family based service components. Comparisons among all of the programs known to the Center indicate considerable variation in style and approach; however, all appear to adhere to a common philosophy of the primacy of the family unit as the focus of service delivery.

Comparisons among programs also reveal considerable differences in reported costs associated with service delivery, variations that may be attributed to a host of factors including the number of casework hours expended per client family, staffing patterns, salary differentials and the accounting and data collection methods used. However, all programs report significant results in preventing substitute care placements for the children of families served. Table 1 illustrates both the range of expenditures and the percentages of children prevented from substitute care placement reported by five selected family based services programs in different geographic locations.

Table 1

SERVICE AND COST RESULTS: INTENSIVE FAMILY BASED PROGRAMS			
	Average Duration of Service	Average Cost/Family	Success (maintaining intact family)
FAMILIES of West Branch West Branch, IA	5 months	$ 4,000	91% (FC)
Home & Community Treatment, Madison, WI	13 months	$10,829	90% (Inst.)
Homebuilders, Tacoma, WA	6-8 weeks	$ 1,769	92%
Intensive Family Support Hillside Children's Center Rochester, NY	7 months	$ 1,887	89%
Oregon Intensive Family Support	90 days	$ 1,000	92%

Although local programs around the country report success rates of 80% and above in prevention of substitute placements, family based services have been critically reviewed and found to be lacking in empirically validated measures of performance. It appears however, that since one of the objectives of family based services is to prevent the placement of children in substitute care, a valid measure of performance is the proportionate reduction in placements and a decrease in expenditures associated with these placements. Most prevention programs compare the actual expenditures per family for alternative services with the potential cost if all the children referred for service had been placed. Estimated savings are computed based on weighted averages for actual placements occurring in the same jurisdiction, or on the basis of the "best professional judgment" of the referring worker as to where the child would have been placed had the family not received prevention services.

The primary differences between expenditures related to family based prevention services and foster placement services are the degree of labor intensity per child and the placement maintenance costs. Prevention services are more labor intensive per capita than foster home services. Therefore, it would appear that per capita expenditures for prevention services would be higher than foster care services expenditures even when monthly maintenance costs are included. However, when projected substitute care costs are discounted over the average length of time a child is likely to remain in care, comparisons with projected prevention services costs indicate that prevention services are more cost efficient.

Federal Financial Participation (FFP) and Financing Family Based Services

Since public agencies generally rely on federal grants to finance portions of their child welfare programs, analyses of prevention and substitute care costs must take into account both the sources of program revenue and the percentages of matching funds requisite to federal financial participation (FFP).

For example, child foster care expenditures for maintenance in foster family homes, group homes, and institutions and for associated social services are funded by Title IV-B, Title IV-A foster care (until its repeal in 10/1/82), Title IV-E, and state and local monies. Certain related program expenditures are funded by Title XX (Social Services Block Grant) and Title XIX (medical assistance.) Social services are reimbursed through Title IV-B and Title XX with specified FFP according to the particular title and program.

The federal contribution under Title IV-B is 75%; the remaining 25% is paid by the state. (Some states require that localities participate financially in the state's match.) Under Title IV-E/A, the federal share for foster care maintenance payments is equal to the federal medical assistance percentages, with a 75% rate for training and a 50% rate for other administrative costs.

Up to 10% of social services funds (SSBG) may be transferred to other block grants such as preventive health and health services, alcohol and drug abuse, mental health services, and others--and vice versa.

Funds not needed under Titles IV-E or IV-A foster care may be transferred to Title IV-B if the state meets the requirements of section 427(a), with certain limitations as to the amount of transferred funds and if federal appropriations do not reach the "trigger" amounts under Title IV-B ($220 million in FY 82 and $266 million in FY 83 and FY 84).

Options to transfer funds may permit administrators to direct certain services resources to train new and existing foster care and protective services workers in family based services skills, or to purchase intensive family based services from the voluntary sector. If states are expending funds from general revenues on maintenance of non-AFDC eligible children, projected savings from the diversion of new children coming into care can be used to match local expenditures for family based services, thus providing an incentive to local agencies to develop prevention programs.

Summary Cost Analysis

The following analysis is based on figures supplied by a state division of social services. It is a prospective analysis in that it attempts to project expenditures and cost savings for children who can be expected to enter the state's child welfare system in the coming year. It does not attempt to project savings to the agency from reunifying children who are already in substitute care, with their families. Because we don't know how many children will be entering the foster care program in the coming year we must use estimates based on previous year's experience.

Client Data: In FY 81, 2145 children entered the state's foster care program. Sixty-seven percent (67%) went into foster family homes (1437 children in FFH). Twelve and a half percent (12.5%) went into institutions (268 children in institutions). The remaining 20.5% did not enter substitute care.* Based on current estimates we conclude that 18% of the children entering foster family homes are from 0-4 years old; 29% are from 5-12 years old; and 53% are 13 or older. From this information, we can estimate that 1437 children will enter foster family homes in this fiscal year, and that 268 children will enter institutions. The average length of time a child remains in substitute care in the sample state is 3 years.

Personnel costs: The present cost of foster care for one child of any age includes, in addition to the monthly board rate, direct and indirect (administrative and overhead) costs for service. The average worker salary is $13,500/annum plus 25% benefits = $16,875/annum. Supervisor estimated average salary is $17,500/annum plus 25% benefits = $21,875/annum. Indirect costs are estimated at 100% of annual salary plus benefits per staff person.

Staff Salary	X 25% benefits	X 2(100% Indirect) =	Annual Cost ÷ 12 =	Monthly Cost
Worker $13,500	$3,375	$16,875	$33,750	$2,812.50
Supv. 17,500	4,375	21,875	43,750	3,645.83

The mean foster care caseload ratio (median figures not available) in the states is 22.4:1. The estimated caseload ratio for effective family based service provision is 12:1. Therefore, estimated personnel costs per child, per month are computed as follows:

*It must be assumed that these children were either returned home within a few days' time or were placed in "free-homes" of relatives or friends.

Staff	Monthly staff cost	÷	Average number foster care cases per worker	=	Average cost per child
Worker	$2,812.50		22.4		$125.56
Supv.*	3,645.83		112		32.55

Staff	Monthly staff cost	÷	Average Family Based Services cases per worker	=	Average cost
Worker	$2,812.50		12		$234.38
Supv.*	3,645.83		60		60.76

*Supervising 5 workers each

Institutional Costs. The present average cost of institutional/residential care for one child is $1,217.83 per month, including the institution's direct and indirect costs. Direct and indirect costs to the Division of Social Services are assumed to be the same as family foster care services costs. Therefore, institutional care expenditures plus DSS expenditures per child average $1,375.94 per month. (Note: The costs of residential treatment center placements are generally considerably greater than the costs associated with custodial-type institutional placement and group home care. The placement expenditures for each would have greater value if analyzed separately. However, since these figures were not available, the average expenditure for all institutional placements is used.)

Present Value of Dollars Expended on Foster and Institutional Care. An important assumption is made in this analysis: that is, if a dollar is committed today to substitute placement, and the average length of time that a child currently remains in substitute placement is three years, then the money committed to today's placement is being committed, on average, for a period of three years.

- Analysis of Foster Care and Institutional Care costs for 1705 children.

PV(FC) = Present Value of Foster Care (personnel) cost + Board cost X 12 months X number of children, discounted at .10 over 3 years.)

Discount factor for 3 years at 10% is 2.487

PV(IC) = Present Value of Institutional Care, as above.

Age	Number Children	Cost/Child per month	PV(FC)	PV(IC)
0-4	257	$286	$2,200,000	
5-12	429	320	4,100,000	
13 & up	751	360	8,100,000	
All ages Inst.	268	1,376		$11,000,000
Total PV(FC) + PV(IC) = $25,400,000.**				

Present Value of Dollars Expended on Family Based Prevention Services

This analysis is based on the assumption that intensive family based services will prevent the placement of 60% of the children who, based on last year's data, can be expected to go into substitute care. Family based services is estimated to result in termination of services within 3 to 9 months. Therefore, present value estimates of expenditures are discounted using a one year discount factor.

In family based services, the family, rather than the individual child, is the focus of service. Therefore, for the purposes of this analysis, the individual child unit of service has been converted to a family unit of service. Thus, 1023

*The Discount Factor is the present value of $1.00 received at a specified future date. Annuity tables are available to simplify determination the discount factor. The Discount Rate (10%) used in this example may differ from the rate used in your state.

**All figures rounded to nearest 100,000.

child units (60% of 1705) has been reduced by an estimated 40% sibling groups, to 614 family units.

- Analysis of Family Based Services Costs for 614 Families.

  PV(FBS) = Present Value of Family Based Services (worker cost + supervisory cost X 12 months X number children, discounted at .10 over 1 year.)

  Discount factor for one year at 10% is .909

Families	Worker & Supervisor Cost per Month	Present Value
614	$295	$2,000,000
Total PV(FBS) = $2,000,000		

For the 40% who are still expected to go into placement, the following analysis is made.

- Analysis of Foster Care costs for 682 (40%) children discounted over 3 years.

Age	Number Children	Cost/Child per month	PV(FC)/40%
0-4	103	$ 286	$ 900,000
5-12	172	320	1,600,000
13 & up	300	360	3,000,000
All ages Inst.	107	1,376	4,400,000
Total PV(FC) + PV(IC) = $9,900,000			

Therefore, the present value to the state's division of social services of providing a level of family based services that would prevent an estimated 60% children from substitute placements is as follows:

Total PV(FC) + PV(IC) + PV(FBS) = $11,900,000.

Savings in Foster Care Maintenance Expenditures a percentage of substitute care maintenance expenditures (board & incidentals) is generally financed by the state with federal funds (Title IV-B). Since it may be possible to transfer a percentage of unused Title IV-E funds to Title IV-B for use in general child welfare services (including prevention services), an analysis of that portion of foster care expenditures most likely to be financed in this manner is relevant. The following are computations of the present value of maintenance costs presumed saved by preventing 60% children from entering substitute care.

- Maintenance Costs saved by not placing 1023 children in Foster Care

Age	Number of Children	Maintenance Cost/Month	Present Value
0-4	154	$ 128	$ 600,000
5-12	257	161	1,200,000
13 & up	451	203	2,700,000
All ages Inst.	161	1,217	5,800,000
Total	1023		$10,300,000

Conclusion

In this summary analysis, the assumption has been made that by providing family based services at a level of effort determined by a given client-family's needs, a significant number of children can be prevented from substitute care placement. By subtracting the present value of family based services (determined solely on worker salary and caseload to worker ratios) from the benefits to the agency (the net present value of maintenance expenditures over the current average length of time a child remains in placement), it is possible to compute the net benefits accruing to the agency.

Benefits = Gains	Costs = Losses	Net Benefits
$10,300,000	$2,000,000	$8,324,000

Not taken into account are the training or retraining requirements for workers and supervisors to provide family based services. Neither does it account for the potential costs of redesigning an existing service delivery system to incorporate a family based services model. However, the net benefits accruing to the agency as a result of a reduction in maintenance costs for substitute care appear to be sufficient to absorb these costs.

There comes a point when the population in substitute care and the average length of time a child remains in care diminishes to the point that prevention program expenditures equal or exceed the costs of substitute placement. This has already occurred in a few agencies.

Prevention of placement is still a measure of FBS program efficiency; however, the benefits accruing to the agency in terms of savings in substitute

care costs loses relevance except as an historical reminder. Under these circumstances, the agency may use benefit-cost and cost-effectiveness analyses techniques to compare and contrast various family based services program options.